

# **EXHIBIT D**

## FINANCIAL STATEMENTS

7 June 2005

**To Whom It May Concern:**

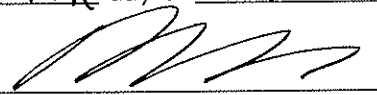
The undersigned, a duly authorized representative of Vanco UK Limited, a private limited company incorporated in England and group company of Vanco Direct USA, LLC, does hereby make the following statement in support of Vanco Direct USA, LLC's application for authority to operate as a telecommunications provider:

*Vanco UK Limited agrees to provide financial support for its group company, Vanco Direct USA, LLC (limited to the amount set out below) in its efforts to become registered as a telecommunications service provider and to begin offering telecommunications services in the markets which it chooses to operate. Financial backing will be in an amount not to exceed \$100,000.00 and will extend for a period of twelve (12) months after certification. By example, and not by limitation, Vanco UK Limited will provide Vanco Direct USA, LLC with financial support necessary to purchase any requisite facilities and services it requires.*

Sincerely,

  
**SIMON HARGREAVES**  
 DIRECTOR, VANCO UK LIMITED  
 WITHOUT PERSONAL LIABILITY

Before me, a duly commissioned Notary Public, personally appeared Simon Hargreaves, (Title) Director Of Vanco Direct UK, who after being duly sworn as required by law, made the statements memorialized herein and executed this document on the 7th day of June, 2005.

  
 Notary Public

(SEAL)

My Commission Expires: at death

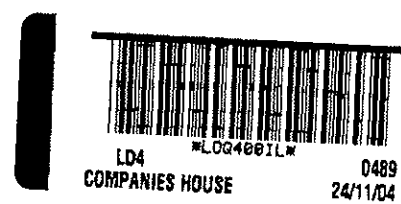
**BENJAMIN W. BRONSTON**  
 Notary Public, State of Louisiana  
 My Commission Expires: 12/31/09  
 Notary Number: 1228

**BENJAMIN W. BRONSTON**  
 Notary Public, State of Louisiana  
 My Commission is issued for life.  
 Notary Number: 1228

**VANCO UK LIMITED**

**Report and Financial Statements**

**For the year ended 31 January 2004**



**REPORT AND FINANCIAL STATEMENTS 2004**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and Professional Advisers</b>	<b>1</b>
<b>Directors' Report</b>	<b>2</b>
<b>Statement of Directors' Responsibilities</b>	<b>3</b>
<b>Independent Auditors' Report to the Members of Vanco UK Limited</b>	<b>4</b>
<b>Consolidated Profit and Loss Account</b>	<b>5</b>
<b>Statement of Total Recognised Gains and Losses</b>	<b>5</b>
<b>Statement of Movements on Reserves</b>	<b>6</b>
<b>Reconciliation of Movements in Shareholder's Funds</b>	<b>7</b>
<b>Consolidated Balance Sheet</b>	<b>8</b>
<b>Company Balance Sheet</b>	<b>10</b>
<b>Consolidated Cash Flow Statement</b>	<b>12</b>
<b>Reconciliation of Net Cash Flow to Movement in Net Debt</b>	<b>13</b>
<b>Notes to the Accounts</b>	<b>14</b>

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

E A Timpany  
W W Churchill  
S J Hargreaves  
A J Nester  
D B Perez

**SECRETARY**

S J Hargreaves

**REGISTERED OFFICE**

John Busch House  
277 London Road  
Isleworth  
Middlesex  
TW7 5AX

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
Abbots House  
Abbey Street  
Reading  
RG1 3BD

**BANKERS**

Barclays Bank plc  
London Corporate Banking  
50 Pall Mall  
PO Box No 1516R  
London  
SW1A 1QA

Royal Bank of Scotland  
Benwell House  
Green Street  
Sunbury on Thames  
Middlesex  
TW16 6QT

**SOLICITORS**

Ashurst  
Broadwalk House  
5 Appold Street  
London  
EC2A 2HA

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 January 2004.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company is one of the principal trading subsidiaries of Vanco plc. The Company also owns Vanco International Limited, Vanco ROW Limited, Vanco Global Limited and Vanco US LLC. A full description of the Group and its activities can be found in Vanco plc's accounts.

During the year the Group added a number of significant new customers. As a result of these contracts, and the high level of contract extensions at the year end, the Group has some £129.2 million (2003 - £110.4 million) of contracted business. Of this £45.1 million relates to the year ending 31 January 2005 and a further £37.0 million is in respect of the year subsequent to this.

### RESULTS AND DIVIDENDS

The results of the Group for the year are set out in detail on page 5. During the year, no equity dividends were proposed or paid (2003- £nil). No non-equity dividends were proposed or paid (2003 - £nil). A profit of £822,139 (2003 - £843,307) has been transferred to reserves.

### FIXED ASSETS

Information relating to changes in fixed assets is given in notes 10, 11 and 12. During the year the Group invested a further £7.0 million principally in telecommunications and computer equipment to further improve its customer network, to enhance the Management Information Systems and to further develop the internal network of the Group.

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year are as set out on page 1. No directors had interests in the share capital of the Group at the current or preceding year end.

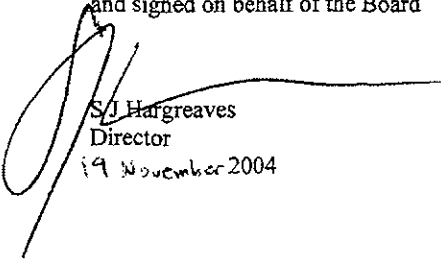
E A Timpany, W W Churchill, S J Hargreaves and A J Nester are also directors of the immediate parent company, Vanco Group Limited, and the ultimate parent Company, Vanco plc. Their interests in the shares of these companies are shown in those companies' accounts.

At 31 January 2004, D B Perez held 209,507 (2003 - 209,507) deferred ordinary "G" shares of 0.1p each, 209,507 (2003 - 279,344) nil paid deferred ordinary "G" shares of 0.1p each and 628,523 (2003 - 907,872) deferred ordinary "GG" shares of 0.1p each in Vanco Group Limited and 141,141 (2003 - 141,141) ordinary shares in Vanco plc.

### AUDITORS

Pursuant to s386 Companies Act 1985, an elective resolution was passed on 27 August 2003 dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche LLP are deemed to continue as auditors.

Approved by the Board of Directors  
and signed on behalf of the Board



S J Hargreaves  
Director

19 November 2004

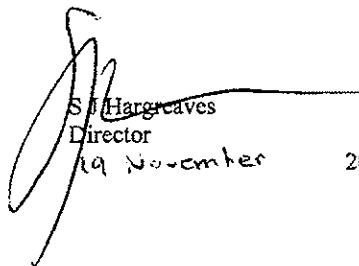
## STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's and Group's system of internal control, for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



S. J. Hargreaves  
Director  
19 November 2004

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VANCO UK LIMITED

We have audited the financial statements of Vanco UK Limited for the year ended 31 January 2004 which comprise the consolidated profit and loss account, the statement of total recognised gains and losses, the statements of movements on reserves, the reconciliation of movements in shareholder's funds, the balance sheets, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and the Group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

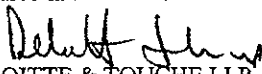
### Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 January 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
DELOITTE & TOUCHE LLP  
Chartered Accountants and Registered Auditors  
Reading

22 November 2004

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 January 2004**

	Note	2004 £	2003 as restated* £
<b>TURNOVER</b>	1,2	53,433,198	40,612,644
Cost of sales		(40,376,850)	(28,335,681)
Gross profit		13,056,348	12,276,963
Administrative expenses		(10,236,292)	(10,464,149)
<b>OPERATING PROFIT</b>	4	2,820,056	1,812,814
Interest receivable and similar income	6	451,784	441,921
Interest payable and similar charges	7	(1,966,269)	(785,608)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,305,571	1,469,127
Tax on profit on ordinary activities	8	(483,432)	(625,820)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR</b>		822,139	843,307

\*The profit and loss account has been restated for the adoption of Application Note G to Financial Reporting Standard 5, see Note 3.

All amounts relate to continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**Year ended 31 January 2004**

	2004 £	2003 as restated £
Retained profit for the year	822,139	843,307
Foreign currency translation differences	56,992	-
Total recognised gains and losses relating to the year	879,131	843,307
Prior year adjustments (note 3)	(253,147)	
Total recognised gains and losses since last annual report	625,984	

**STATEMENTS OF MOVEMENTS ON RESERVES**  
**Year ended 31 January 2004**

<b>Group</b>	<b>Share premium account £</b>	<b>Capital redemption reserve £</b>	<b>Profit and loss account £</b>	<b>Merger capital reserve £</b>	<b>Total £</b>
At 1 February 2003 as previously reported	9,038,136	381,819	4,655,464	(8,985,586)	5,089,833
Prior year adjustment (note 3)	-	-	(253,147)	-	(253,147)
At 1 February 2003 as restated	9,038,136	381,819	4,402,317	(8,985,586)	4,836,686
Retained profit for the financial year	-	-	822,139	-	822,139
Foreign currency translation differences	-	-	56,992	-	56,992
At 31 January 2004	<u>9,038,136</u>	<u>381,819</u>	<u>5,281,448</u>	<u>(8,985,586)</u>	<u>5,715,817</u>

<b>Company</b>	<b>Share premium account £</b>	<b>Capital redemption reserve £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 February 2003 as previously reported	9,038,136	381,819	2,244,670	11,664,625
Prior year adjustment (note 3)	-	-	(233,413)	(233,413)
At 1 February 2003 as restated	9,038,136	381,819	2,011,257	11,431,212
Retained profit for the financial year	-	-	605,496	605,496
At 31 January 2004	<u>9,038,136</u>	<u>381,819</u>	<u>2,616,753</u>	<u>12,036,708</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**  
**Year ended 31 January 2004**

<b>Group</b>	<b>2003</b>	
	<b>2004</b>	<b>as restated *</b>
	<b>£</b>	<b>£</b>
Retained profit for the financial year	822,139	843,307
Foreign currency translation differences	56,992	-
Net increase in shareholder's funds	879,131	843,307
Opening shareholder's funds	4,873,376	4,030,069
Closing shareholder's funds	5,752,507	4,873,376

<b>Company</b>	<b>2003</b>	
	<b>2004</b>	<b>as restated *</b>
	<b>£</b>	<b>£</b>
Retained profit for the financial year and increase in shareholder's funds	605,496	601,802
Opening shareholder's funds	11,467,902	10,866,100
Closing shareholder's funds	12,073,398	11,467,902

\* The Reconciliation of Movements In Shareholder's Funds has been restated for the adoption of Application Note G to Financial Reporting Standard 5, see note 3.

**CONSOLIDATED BALANCE SHEET**  
**31 January 2004**

			2004	2003
	Note	£	£	as restated * £
<b>FIXED ASSETS</b>				
Intangible assets	10		9,582	10,017
Tangible assets	11		13,653,454	9,978,909
Investments	12		7,794	7,794
			<u>13,670,830</u>	<u>9,996,720</u>
<b>CURRENT ASSETS</b>				
Debtors				
Due within one year	13	32,856,451		24,687,912
Due after more than one year	13	12,589,824		7,541,374
Cash at bank and in hand		<u>1,736,457</u>		<u>3,645,919</u>
		<u>47,182,732</u>		<u>35,875,205</u>
<b>CREDITORS: amounts falling due within one year</b>				
Trade creditors		11,486,494		9,656,993
Other creditors	14	<u>26,410,745</u>		<u>17,869,694</u>
		<u>37,897,239</u>		<u>27,526,687</u>
<b>NET CURRENT ASSETS</b>			<u>9,285,493</u>	<u>8,348,518</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			22,956,323	18,345,238
<b>CREDITORS: amounts falling due after more than one year</b>	15	(5,642,059)		(4,925,342)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(534,910)		(405,399)
			<u>16,779,354</u>	<u>13,014,497</u>
<b>ACCRUALS AND DEFERRED INCOME</b>			11,026,847	8,141,121
<b>CAPITAL AND RESERVES</b>				
Called up share capital	17		36,690	36,690
Share premium account			9,038,136	9,038,136
Capital redemption reserve			381,819	381,819
Merger capital reserve			(8,985,586)	(8,985,586)
Profit and loss account			<u>5,281,448</u>	<u>4,402,317</u>
<b>SHAREHOLDER'S FUNDS</b>			<u>5,752,507</u>	<u>4,873,376</u>
			<u>16,779,354</u>	<u>13,014,497</u>

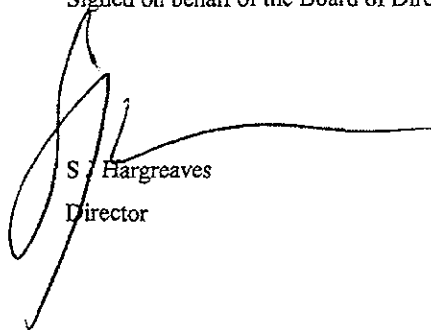
**CONSOLIDATED BALANCE SHEET (Continued)**  
**31 January 2004**

	Note	2004 £	2003 as restated * £
Non-equity shareholder's funds			
- deferred ordinary shares	17	2,608	2,608
Equity shareholder's funds		<u>5,749,899</u>	<u>4,870,768</u>
		<u>5,752,507</u>	<u>4,873,376</u>

\* the consolidated balance sheet has been restated for the adoption of Application Note G to Financial Reporting Standard 5, see note 3.

These financial statements were approved by the Board of Directors on 19 November 2004.

Signed on behalf of the Board of Directors



S. Hargreaves  
 Director

**COMPANY BALANCE SHEET**  
**31 January 2004**

	Note	£	2004 £	2003 as restated * £
<b>FIXED ASSETS</b>				
Tangible assets	11		12,315,997	8,923,475
Investments	12		<u>9,398,584</u>	<u>9,398,584</u>
			21,714,581	18,322,059
<b>CURRENT ASSETS</b>				
Debtors				
Due within one year	13	25,449,448	16,365,810	
Due after more than one year	13	9,081,607	6,090,848	
Cash at bank and in hand		<u>1,283,554</u>	<u>2,333,856</u>	
		35,814,609	24,790,514	
<b>CREDITORS: amounts falling due within one year</b>				
Trade creditors		9,055,440	8,190,549	
Other creditors	14	<u>22,582,302</u>	<u>12,660,812</u>	
		31,637,742	20,851,361	
<b>NET CURRENT ASSETS</b>			<u>4,176,867</u>	<u>3,939,153</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			25,891,448	22,261,212
<b>CREDITORS: amounts falling due after more than one year</b>	15	(4,961,195)		(4,502,866)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(518,167)		(403,842)
			<u>20,412,086</u>	<u>17,354,504</u>
<b>ACCRUALS AND DEFERRED INCOME</b>			8,338,688	5,886,602
<b>CAPITAL AND RESERVES</b>				
Called up share capital	17		36,690	36,690
Share premium account			9,038,136	9,038,136
Capital redemption reserve			381,819	381,819
Profit and loss account			<u>2,616,753</u>	<u>2,011,257</u>
<b>SHAREHOLDER'S FUNDS</b>			<u>12,073,398</u>	<u>11,467,902</u>
			<u>20,412,086</u>	<u>17,354,504</u>

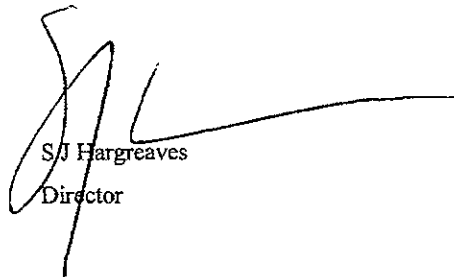
**COMPANY BALANCE SHEET (Continued)**  
**31 January 2004**

	Note	2004 £	2003 as restated * £
Non-equity shareholder's funds			
- deferred ordinary shares	17	2,608	2,608
Equity shareholder's funds		<u>12,070,790</u>	<u>11,465,294</u>
		<u>12,073,398</u>	<u>11,467,902</u>

\* the company balance sheet has been restated for the adoption of Application Note G to Financial Reporting Standard 5, see note 3.

These financial statements were approved by the Board of Directors on 19 November 2004.

Signed on behalf of the Board of Directors.

  
 SJ Hargreaves  
 Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 January 2004**

	<b>Note</b>	<b>2004</b> <b>£</b>	<b>2003</b> <b>£</b>
<b>Net cash inflow from operating activities</b>	20	3,873,487	5,386,351
<b>Returns on investments and servicing of finance</b>			
Interest received		1,710	-
Interest paid		(427,678)	(284,846)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(425,968)	(284,846)
<b>Taxation paid</b>		(270,000)	(332,315)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(1,572,451)	(1,345,296)
<b>Net cash outflow from capital expenditure and financial investment</b>		(1,572,451)	(1,345,296)
<b>Acquisitions</b>			
Investment in subsidiary undertaking		-	(10,453)
<b>Net cash outflow from acquisitions</b>		-	(10,453)
<b>Net cash inflow before financing</b>		1,605,068	3,413,441
<b>Financing</b>			
Inception of new loans	21	-	884,639
Capital element of loan payments	21	(296,659)	(159,304)
Capital element of finance lease and hire purchase agreement payments	21	(3,190,028)	(2,084,820)
<b>Net cash outflow from financing</b>		(3,486,687)	(1,359,485)
<b>(Decrease)/increase in cash in year</b>	21	(1,881,619)	2,053,956

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**  
**Year ended 31 January 2004**

	Note	2004 £	2003 £
(Decrease) increase in cash in the year	21	(1,881,619)	2,053,956
Cash outflow from changes in lease and lease financing		3,190,028	2,084,820
Cash outflow (inflow) from other loan repayments		296,659	(884,639)
Cash outflow from bank loan repayments		-	159,304
Change in net debt resulting from cash flows		1,605,068	3,413,441
New finance leases	21	(5,437,684)	(4,383,365)
Other movements in new loans	21	487,390	-
Foreign currency translation differences	21	7,574	-
Movement in net debt		(3,337,652)	(969,924)
Opening net debt	21	(4,380,291)	(3,410,367)
Closing net debt	21	(7,717,943)	(4,380,291)

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with UK applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary undertakings.

**Acquisitions**

On the acquisition of a business, fair values are attributed to the Group's share of the net tangible assets. Where the cost of acquisition, being the fair value of the purchase consideration and the expenses of the acquisition, exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill.

**Goodwill**

In accordance with Financial Reporting Standard 10, goodwill is capitalised. Goodwill is amortised over a period of 20 years, which, in the opinion of the directors is its estimated useful economic life.

**Investments**

Investments are stated at cost less provision for any impairment.

**Turnover**

A network contract typically covers both the design, supply and installation of the network and thereafter the provision of Packaged Network Solutions. Revenue relating to the initial part of the contract is determined by the fair value of the component elements represented by the equipment installed and the time expended on this element of the contract. The remainder of the contract value covering the provision of network management services is recognised evenly over the period of the contract except for that element of revenue which equates to the finance lease interest costs relating to the network equipment. This element is accounted for on a sum of the digits basis, in line with the accounting treatment of the associated costs.

To the extent that the recognition of revenue differs from the contractual billing terms, either revenue is accrued or amounts billed in advance are treated as deferred income.

**Commissions**

Commissions payable to sales staff on securing new contracts are written off to the profit and loss account on a straight line basis over the lesser of the period of the contract and three years, in order to match the cost with the associated gross margin.

**Tangible fixed assets and depreciation**

Depreciation is calculated to write down the cost of fixed assets to their expected residual values over their estimated useful lives. The rates used are as follows:

Leasehold improvements	- over the period of the lease
Computer equipment	- 20% - 33% per annum
Fixtures, fittings and equipment	- 20% - 33% per annum
Motor vehicles	- 20% per annum

**Leased assets**

Fixed assets held under finance leases or hire purchase agreements are capitalised and depreciated over their expected useful lives. Finance charges are allocated to the profit and loss account on a sum of digits basis.

## NOTES TO THE ACCOUNTS

### Year ended 31 January 2004

#### 1. ACCOUNTING POLICIES (Continued)

##### Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account. The financial statements of foreign subsidiary undertakings are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investment in subsidiary undertakings at the closing rate is taken direct to reserves.

##### Pension costs

Contributions are made to employees' personal pension schemes. The costs of this are charged to the profit and loss account when incurred.

#### 2. TURNOVER

Turnover represents amounts derived from the principal activity of the Group which is telecommunication services. The majority of turnover is invoiced from the United Kingdom and a small amount invoiced from the United States. However, due to the nature of the Packaged Network Solutions provided by the Group, it is difficult to split accurately the turnover according to the location in which the service is provided. However in the opinion of the directors, of the total turnover for the year ended 31 January 2004, approximately £12.1 million (2003 - £9.2 million) relates to services provided outside the United Kingdom from continuing operations.

#### 3. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the adoption of Application Note G to Financial Reporting Standard 5 in relation to revenue recognition with revenue now discounted to the present value of the related cash inflows. The unwinding of the discount is credited to Finance Income.

##### Group

The prior year adjustment, which has the effect of decreasing reserves by £253,147, has the effect of decreasing revenue by £131,548 and increasing finance income by £68,006 in the year ended 31 January 2003 and of decreasing prepayments and accrued income by £253,147 as at 31 January 2003.

The impact in the current year of the change in accounting policy is to reduce revenue by £360,708 and to increase finance income by £111,220 and of decreasing prepayments and accrued income by £249,488 as at 31 January 2004.

##### Company

The prior year adjustment has the effect of decreasing reserves and of decreasing prepayments and accrued income by £233,039 in the Company Balance Sheet as at 31 January 2003.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**4. OPERATING PROFIT**

	2004 £	2003 £
Operating profit is arrived at after charging:		
Depreciation - leased assets	2,765,567	1,542,196
- owned assets	521,717	274,655
Amortisation intangible fixed assets	435	436
Auditors' remuneration		
- Group audit fees	67,500	26,000
- Company audit fees	40,000	16,400
- other services	5,556	9,333
Rentals under operating leases		
- hire of plant and machinery	548,789	448,951
- other	535,019	469,368
Finance lease charges included within cost of sales	665,184	534,744

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

**Employees**

The average number of people employed by the Group during the year (including directors) was 220 (2003 - 191).

The costs incurred in respect of these employees were:

	2004 £	2003 £
Wages and salaries	8,360,218	7,962,229
Social security costs	1,028,206	977,894
Other pension costs	444,124	101,581
	<u>9,832,548</u>	<u>9,041,704</u>

Directors' emoluments were as follows:

	2004 £	2003 £
Remuneration	122,760	123,050
Pension contributions	4,553	1,625
	<u>127,313</u>	<u>124,675</u>

The emoluments of the highest paid director were £127,313 (2003 - £124,675).

Pension contributions amounting to £4,553 (2003 - £1,625) were made into personal pension schemes in respect of one (2003 - one) of the directors.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)**

**Directors remunerated by the Group**

S J Hargreaves and E A Timpany are executives of the ultimate parent company, Vanco plc, and are also directors of the majority of the other companies within the Vanco plc group. A J Nester is an executive of the ultimate parent company, Vanco plc, and the intermediate parent company, Vanco Group Limited, and Vanco International Limited and Vanco Global Limited, both fellow subsidiary undertakings of Vanco UK Limited. W W Churchill is an executive of the ultimate parent company, Vanco plc, the immediate parent company, Vanco Group Limited, and of Vanco e-Business Limited and Vanco Business Solutions Limited, both fellow subsidiary undertakings of Vanco Group Limited.

The directors, other than D B Perez, received total emoluments of £850,206 from Vanco plc during the year, but it is not practicable to allocate this between their services as executives of Vanco plc and their services as directors of the other companies stated above. In addition, the four directors other than D B Perez are members of money purchase schemes into which contributions are paid by Vanco plc in respect of their services to the above companies.

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2004 £	2003 as restated £
Finance income	111,220	68,006
Foreign exchange gains	340,564	373,915
	<u>451,784</u>	<u>441,921</u>

Finance income represents the unwinding of the discount accounted for on recognition of revenue in respect of long term debtors, as these debtors are paid, as described in note 3.

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	2004 £	2003 £
Bank overdraft repayable on demand	109,100	84,816
Finance lease interest	409,160	200,030
Foreign exchange losses	1,448,009	500,762
	<u>1,966,269</u>	<u>785,608</u>

During the year the Group also paid finance lease interest of £665,184 (2003 - £534,744) relating to networking equipment. This is included within cost of sales.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2004	2003
	£	£
United Kingdom corporation tax	106,608	278,996
Group relief payable - current year	204,789	159,598
- prior year	-	76,493
Under/(over) provision in prior years	42,524	(76,066)
Total current tax charge	353,921	439,021
Deferred taxation		
timing differences, origination and reversal	129,511	189,531
prior year overprovision	-	(2,732)
Tax on profit on ordinary activities	483,432	625,820

**Factors affecting the tax charge for the current year**

The tax assessed for the current year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are explained below:

	2004	2003
	£	restated £
Profit on ordinary activities before taxation	1,305,571	1,469,127
Tax at 30% thereon	391,671	440,738
Effects of:		
expenses not deductible for tax purposes	48,353	189,865
capital allowances in excess of depreciation	(127,931)	(192,009)
sundry	(696)	-
prior year adjustments	42,524	427
Current tax charge for year	353,921	439,021

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**9. PROFIT OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these accounts. The parent Company's profit before tax for the financial year amounted to £756,479(2003- £1,051,159).

**10. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Goodwill £</b>
<b>Cost</b>	
At 1 February 2003 and at 31 January 2004	10,453
<b>Amortisation</b>	
At 1 February 2003	436
Charge for the year	435
At 31 January 2004	871
<b>Net book value</b>	
At 31 January 2004	9,582
At 31 January 2003	10,017

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**11. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Leasehold improve- ments £</b>	<b>Computer equipment £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 February 2003	976,632	18,450,879	1,223,124	210,849	20,861,484
Additions	37,731	6,735,594	188,504	-	6,961,829
At 31 January 2004	<u>1,014,363</u>	<u>25,186,473</u>	<u>1,411,628</u>	<u>210,849</u>	<u>27,823,313</u>
<b>Depreciation</b>					
At 1 February 2003	299,513	9,922,899	585,230	74,933	10,882,575
Charge for the year	135,081	2,859,050	246,643	46,510	3,287,284
At 31 January 2004	<u>434,594</u>	<u>12,781,949</u>	<u>831,873</u>	<u>121,443</u>	<u>14,169,859</u>
<b>Net book value</b>					
At 31 January 2004	<u>579,769</u>	<u>12,404,524</u>	<u>579,755</u>	<u>89,406</u>	<u>13,653,454</u>
At 31 January 2003	<u>677,119</u>	<u>8,527,980</u>	<u>637,895</u>	<u>135,915</u>	<u>9,978,909</u>

At 31 January 2004 the Group held assets under finance lease agreements with a net book value of £9,385,641 (2003 - £6,713,523).

At 31 January 2004 the Group had capital commitments of £350,000 (2003 - £680,000).

<b>Company</b>	<b>Leasehold improve- ments £</b>	<b>Computer equipment £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 February 2003	937,515	15,678,782	1,186,389	210,849	18,013,535
Additions	37,731	6,044,959	178,359	-	6,261,049
At 31 January 2004	<u>975,246</u>	<u>21,723,741</u>	<u>1,364,748</u>	<u>210,849</u>	<u>24,274,584</u>
<b>Depreciation</b>					
At 1 February 2003	293,643	8,144,133	577,351	74,933	9,090,060
Charge for the year	130,444	2,461,669	229,904	46,510	2,868,527
At 31 January 2004	<u>424,087</u>	<u>10,605,802</u>	<u>807,255</u>	<u>121,443</u>	<u>11,958,587</u>
<b>Net book value</b>					
At 31 January 2004	<u>551,159</u>	<u>11,117,939</u>	<u>557,493</u>	<u>89,406</u>	<u>12,315,997</u>
At 31 January 2003	<u>643,872</u>	<u>7,534,649</u>	<u>609,038</u>	<u>135,916</u>	<u>8,923,475</u>

At 31 January 2004 the Company held assets under finance lease agreements with a net book value of £8,833,937 (2003 - £5,698,675).

At 31 January 2004 the Company had capital commitments of £350,000 (2003 - £430,000).

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**12. INVESTMENTS**

<b>Group</b>	<b>Shares in fellow undertakings £</b>
<b>Cost and net book value</b>	
At 1 February 2003 and at 31 January 2004	<u>7,794</u>

The investments relate to a 3% ordinary share holding in Vanco Srl and a 0.4% ordinary share holding in Vanco GmbH. As these are minority shareholdings the results of these companies have not been consolidated.

<b>Company</b>	<b>Shares in fellow undertakings £</b>
<b>Cost and net book value</b>	
At 1 February 2003 and at 31 January 2004	<u>9,398,584</u>

At the year end the Company held the following investments:

	<b>Country of operation/ incorporation</b>	<b>Ordinary shares %</b>
Vanco International Limited	England	100.0
Vanco ROW Limited	England	100.0
Vanco Global Limited	England	100.0
Vanco US LLC *	USA	100.0
Vanco GmbH	Germany	0.4
Vanco Srl	Italy	3.0

\* denotes held by Vanco ROW Limited

The remainder of the share capital in both Vanco GmbH and Vanco Srl is held by Vanco Group Limited, which is the immediate parent Company of Vanco UK Limited. Vanco International Limited, Vanco Global Limited, Vanco US LLC, Vanco GmbH and Vanco Srl are involved in the provision of Packaged Network Services. Vanco ROW Limited is a vehicle for the Group's Global Partner agreements.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**13. DEBTORS**

	2004		2003	
	Group	Company	Group	Company
	£	£	as restated £	as restated £
<b>Due within one year</b>				
Trade debtors	11,135,461	8,036,272	8,157,217	5,518,111
Amounts owed by fellow undertakings	10,182,438	9,008,885	8,430,036	4,673,465
Other debtors	1,066,474	551,676	947,566	447,692
Prepayments and accrued income	10,472,078	7,852,615	7,153,093	5,726,542
	<u>32,856,451</u>	<u>25,449,448</u>	<u>24,687,912</u>	<u>16,365,810</u>
<b>Due after more than one year</b>				
Prepayments and accrued income	<u>12,589,824</u>	<u>9,081,607</u>	<u>7,541,374</u>	<u>6,090,848</u>

**14. OTHER CREDITORS**

	2004		2003	
	Group	Company	Group	Company
	£	£	£	£
Loans	177,676	170,520	332,061	309,977
Obligations under finance leases and hire purchase agreements	3,634,665	3,182,479	2,768,807	2,444,230
Amounts owed to fellow undertakings	20,247,453	17,899,912	13,272,089	9,091,013
Corporation tax	166,313	43,126	-	-
Group relief payable	434,949	239,596	107,543	107,543
Other creditors	5,203	2,370	-	-
Other taxation and social security	<u>1,744,486</u>	<u>1,044,299</u>	<u>1,389,194</u>	<u>708,049</u>
	<u>26,410,745</u>	<u>22,582,302</u>	<u>17,869,694</u>	<u>12,660,812</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2004</b>		<b>2003</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Due in more than one year but not more than two years</b>				
Loans	78,097	73,326	308,206	286,122
Obligations under finance leases and hire purchase agreements	<u>2,781,799</u>	<u>2,468,046</u>	<u>2,443,727</u>	<u>2,095,261</u>
	<u>2,859,896</u>	<u>2,541,372</u>	<u>2,751,933</u>	<u>2,381,383</u>
<b>Due more than two years but not more than five years</b>				
Loans	10,667	10,667	410,222	358,297
Obligations under finance leases and hire purchase agreements	<u>2,771,496</u>	<u>2,409,156</u>	<u>1,763,187</u>	<u>1,763,186</u>
	<u>2,782,163</u>	<u>2,419,823</u>	<u>2,173,409</u>	<u>2,121,483</u>
<b>Total due within one to five years</b>	<u>5,642,059</u>	<u>4,961,195</u>	<u>4,925,342</u>	<u>4,502,866</u>

**16. PROVISIONS FOR LIABILITIES AND CHARGES**

**Deferred taxation**

<b>Group</b>	<b>£</b>
At 1 February 2003	405,399
Charge for the year	<u>129,511</u>
At 31 January 2004	<u>534,910</u>

The amounts of deferred tax provided in the accounts (which represents a full provision) comprised:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Capital allowances in excess of depreciation	<u>534,910</u>	<u>405,399</u>

<b>Company</b>	<b>£</b>
At 1 February 2003	403,842
Charge for the year	<u>114,325</u>
At 31 January 2004	<u>518,167</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**16. PROVISIONS FOR LIABILITIES AND CHARGES (Continued)**

The amounts of deferred tax provided in the accounts (which represents a full provision) comprised:

	2004 £	2003 £
Capital allowances in excess of depreciation	518,167	403,842

**17. CALLED UP SHARE CAPITAL**

	2004 £	2003 £
<b>Authorised</b>		
Ordinary shares of 0.1p each (2004 and 2003 – 40,000,000)	40,000	40,000
Deferred ordinary shares of 0.1p each (2004 and 2003 – 5,000,000)	5,000	5,000
Cumulative redeemable preference shares of £1 each (2004 and 2003 – 430,000)	430,000	430,000
	<u>475,000</u>	<u>475,000</u>
<b>Called up, allotted and fully paid</b>		
Ordinary shares of 0.1p each (2004 and 2003 – 34,081,770)	34,082	34,082
Deferred ordinary shares of 0.1p each (2004 and 2003 – 2,607,960)	2,608	2,608
	<u>36,690</u>	<u>36,690</u>

The deferred ordinary shares carry no voting rights and therefore have been classified as non-equity shares with no share of reserves being attributable to them. They carry the same rights as the ordinary shares in the event of the sale, listing or liquidation of the Company. Subject to the Company having the necessary reserves, these shares carry a discretionary non-cumulative dividend of 5% of their value.

**18. OPERATING LEASE COMMITMENTS**

At 31 January 2004 the Group and Company were committed to making the following payments during the next year in respect of operating leases:

Group	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire:				
Within one year	-	120,403	-	69,360
Within 2 to 5 years	524,000	178,229	507,278	371,556
After 5 years	6,330	-	6,330	-
	<u>530,330</u>	<u>298,632</u>	<u>513,608</u>	<u>440,916</u>
Company	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire:				
Within one year	-	120,403	-	69,360
Within 2 to 5 years	464,000	178,229	452,400	370,003
After 5 years	6,330	-	6,330	-
	<u>470,330</u>	<u>298,632</u>	<u>458,730</u>	<u>439,363</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 January 2004**

**19. BANK OVERDRAFT, BANK LOANS AND FINANCE LEASES**

The company is part of the UK group that has an undrawn, committed bank overdraft facility of £5,000,000 available at 31 January 2004 (2003: £2,600,000). The overdraft is secured by a fixed and floating charge over all assets of Vanco plc, Vanco Group Limited, Vanco International Limited and Vanco UK Limited.

The bank loan incurs interest at the rate of 1.75% above LIBOR. The bank loan is arranged under a revolving facility which is renewable in November 2006.

The bank loans are secured by a fixed and floating charge over all assets of Vanco plc, Vanco Group Limited, Vanco International Limited and Vanco UK Limited. Finance lease obligations are secured by retention of title to the related assets.

**20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOWS FROM OPERATING ACTIVITIES**

	2004 £	2003 restated £
Operating profit	2,820,056	1,812,814
Depreciation	3,287,284	1,816,851
Amortisation of intangible fixed assets	435	436
Increase in debtors	(13,455,935)	(9,541,163)
Increase in creditors	8,336,321	9,438,852
Increase in accruals and deferred income	2,885,326	1,858,561
Cash inflow from operating activities	<u>3,873,487</u>	<u>5,386,351</u>

**21. ANALYSIS OF NET DEBT**

	31 January 2003	Cash flow £	Exchange movements £	Other movements £	31 January 2004
Cash at bank and in hand	3,645,919	(1,881,619)	(27,843)	-	1,736,457
Loans due within one year	(332,061)	296,659	-	(142,274)	(177,676)
Loans due after one year	(718,428)	-	-	629,664	(88,764)
Finance leases and hire purchase agreements	(6,975,721)	3,190,028	35,417	(5,437,684)	(9,187,960)
	<u>(4,380,291)</u>	<u>1,605,068</u>	<u>7,574</u>	<u>(4,950,294)</u>	<u>(7,717,943)</u>

During the year the Group entered into finance lease and hire purchase arrangements in respect of assets with a total capital value of £5,437,684 (2003 - £4,383,365) at the inception of the arrangements.

**22. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The Company's immediate parent company and controlling entity is Vanco Group Limited. The ultimate parent company and controlling entity is Vanco plc. Both companies are registered in England and Wales. The parent undertaking of the smallest and largest group that includes the Company and for which group financial statements are prepared is Vanco plc. Copies of these companies' financial statements are available from the Company Secretary, John Busch House, 277 London Road, Isleworth, Middlesex, TW7 5AX.

**23. RELATED PARTY TRANSACTIONS**

In accordance with FRS 8 "Related Party Disclosures", transactions with other Group undertakings within and investee related parties of, the Vanco plc group have not been disclosed in these financial statements.